

Message Text

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SUBJ: ARRANGEMENTS COMPLETE FOR PLACEMENT OF QUEBEC DEBT ISSUE

REF: MONTREAL 1916

1. QUEBEC HAS APPARENTLY PASSED FIRST MAJOR TEST IN FINANCIAL MARKET SINCE PQ WAS ELECTED NOVEMBER 15 IN QUEBEC'S PROVINCIAL ELECTION. PRESS IN BOTH CANADA AND U.S. REPORTED THAT SIDBEC-NORMINES, INC. HAD COMPLETED ARRANGEMENTS FOR PRIVATE-PLACEMENT IN U.S. AND CANADA OF DLS 398.4 MILLION OF FIRST MORTGAGE BONDS. FUNDS WILL BE USED FOR DOLS 500 MILLION PROJECT UNDERWAY TO DEVELOP IRON ORE RESERVES IN NORTHERN QUEBEC.

2. U.S. PORTION OF FINANCING TOTALS DOLS 330.3 MILLION OF 23-YEAR FIRST MORTGAGE BONDS WITH COUPON RATE OF 10 1/8 O/O. CANADIAN PORTION OF FINANCING TOTALS DOLS 68.1 MILLION OF 23-YEAR BONDS WITH 11 1/8 O/O COUPON RATE. TERMS OF AGREEMENT ARE REPORTED TO BE SAME AS THOSE ANTICIPATED IN AUGUST BEFORE QUEBEC PROVINCIAL ELECTIONS WERE HELD.

3. MAJOR PURCHASERS OF THE ISSUE IN THE U.S. WERE PRUDENTIAL LIFE INSURANCE (DOLS 131.1 MILLION), EQUITABLE LIFE (DOLS 36.3 MILLION), AETNA LIFE (DOLS 27.5 MILLION), ALABAMA PROFESSORS RETIREMENT FUND (DOLS 17.6 MILLION), BOWERY SAVINGS BANK (DOLS 16.5 MILLION) AND MUTUAL LIFE (DOLS 14.3 MILLION). QUEBEC'S CAISSE DE DEPOT WAS MAJOR PURCHASER OF ISSUE IN CANADA, TAKING

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ABOUT 40 O/O OF CANADIAN PORTION.

4. PARTICIPANTS IN IRON ORE PROJECT ARE BRITISH STEEL CORP. (INTERNATIONAL) LTD., 41.67 O/O; SIDBEC LTD., A QUEBEC GOVERNMENT-OWNED AGENCY, 50.1 O/O, AND QUEBEC CARTIER MINING CO., 8.23 O/O. QUEBEC CARTIER IS A UNIT OF U.S. STEEL CORP.

5. PRODUCTION CAPACITY OF THE IRON-ORE PELLETIZING PLANT WILL BE SIX MILLION TONS OF PELLETS A YEAR. OF THAT TOTAL, BRITISH STEEL WILL TAKE ABOUT 2.5 MILLION TONS, SIDBEC ABOUT THREE MILLION AND QUEBEC CARTIER 500,000 TONS FOR U.S. STEEL CORP. THE PLANT IS BEING BUILT AT PORT CARTIER, ABOUT 400 MILES FROM QUEBEC CITY.

6. ELSEWHERE IN FINANCIAL SECTOR, CITY OF LAVAL ISSUE WHICH UNDERWRITERS WERE UNABLE TO PLACE IN U.S. MARKET (SEE REFTTEL) IS NOW REPORTED TO BE SELLING WELL ON CANADIAN MARKET. OF TOTAL DOLS 13 MILLION ISSUE, DOLS 10 MILLION HAS REPORTEDLY BEEN PLACED. EFFECTIVE COST OF FINANCING FOR LAVAL WAS STATED TO BE 10.54 O/O.

7. COMMENT: ANNOUNCEMENT OF COMPLETION OF SIDBEC-NORMINES FINANCING IS VIEWED HERE AS PROVIDING SOME REASSURANCE THAT FOREIGN INVESTORS STILL WILLING ACCEPT QUEBEC DEBT ISSUES. ALTHOUGH AGREEMENT WILL NOT BE SIGNED FORMALLY UNTIL DECEMBER 23, THERE ARE NO EXPECTATIONS OF PROBLEMS ARISING IN ARRANGEMENTS BEFORE ASSIGNMENT IS COMPLETED. FURTHER REASSURANCE FOR INVESTORS CONCERNED ABOUT QUEBEC SHOULD BE FORTHCOMING NEXT WEEK AS CONSULATE HAS LEARNED THAT HYDRO-QUEBEC HAS COMPLETED ARRANGEMENTS FOR PLACEMENT OF DEBT ISSUE IN EUROPE. PUBLIC ANNOUNCEMENT OF LATEST HYDRO-QUEBEC FINANCING IS EXPECTED TO BE MADE NEXT TUESDAY, DECEMBER 21.
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